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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
Item 31 I.D.# 5078
ENERGY DIVISION **RESOLUTION E-3960**
November 18, 2005

R E S O L U T I O N

Resolution E-3960. Southern California Edison (SCE) requests the Commission's authorization to establish a memorandum account to record third-party costs associated with certain procurement-related activities.

By Advice Letter 1920-E Filed on September 30, 2005.

SUMMARY

This Resolution approves SCE's request to establish a new memorandum account to record third-party costs associated with certain procurement-related activities.

BACKGROUND

In Decision (D.) 04-12-048, the Commission adopted (with modification) Long-term Procurement Plans (LTPPs) of SCE, San Diego Gas and Electric Company (SDG&E), and Pacific Gas & Electric Company (PG&E). That decision also lifted the ban on long-term affiliate transactions for transactions entered into through an open and transparent solicitation process. The ban on short-term transactions was maintained.

While D. 04-12-048 lifted the ban on long-term affiliate transactions, the decision also instituted safeguards for the solicitation of long-term procurement transactions by requiring: (1) continuation of utility Procurement Review Groups (PRGs); and (2) the use of independent third-party evaluators (IE). Ordering Paragraph 28 of D.04-12-048, stated (in part) "The IOUs may contract directly with IEs, in consultation with their respective PRGs..."

In D.05-07-039, the Commission approved (with modifications) the procurement plans and draft requests for offers (RFOs) for 2005 solicitations for Renewables Portfolio Standard (RPS) programs submitted by SCE, SDG&E, and PG&E. In

addition, the Commission required the use of IEs in evaluating bids in SCE's 2005 RPS program. As stated by the Commission in Ordering Paragraph 10 of D.05-07-039, "In evaluating bids in the 2005 RPS solicitation, SCE shall use an independent evaluator as described in D.04-12-048 for all bids submitted by an affiliate of SCE."

NOTICE

Notice of AL 1920-E was made by publication in the Commission's Daily Calendar. SCE states that a copy of the Advice Letter was mailed and distributed in accordance with Section III-G of General Order 96-A.

PROTESTS

Advice Letter AL 1920-E was not protested.

DISCUSSION

SCE's request to establish a memorandum account to record third-party costs should be approved

SCE's request to establish an Independent Evaluator Costs Memorandum Account (IECMA) to record third-party costs associated with certain procurement-related activities should be approved.

- The third-party costs were not included in either: (1) SCE's 2003 Test Year General Rate Case (GRC); or (2) SCE's pending 2006 Test Year GRC.
- D. 04-12-048, Ordering Paragraph 28, authorized SCE to contract directly with IEs, in consultation with their PRGs.
- D. 05-07-039, Ordering Paragraph 10, ordered SCE to use an independent evaluator, as described in D.04-12-048, for all bids submitted by an affiliate of SCE in the 2005 RPS solicitation.
- Public Utilities Code Section 454.5 (b)(12) allow for recovery of reasonable administrative costs related to procurement.

While the Commission mandated that SCE utilize the services of IE's, and the PUC code allow for recovery, no specific recovery mechanism was adopted. As such, SCE's request to establish a memorandum account to record these mandated cost is reasonable.

Actual third-party independent evaluator costs will be recorded until an authorized recovery mechanism is established

The IECMA will record SCE's actual IE costs and will not be reflected in SCE's generation rate levels until subsequent approval by the Commission allowing SCE to transfer the balance in the IECMA to a recovery mechanism.

SCE filed Advice Letter 1919-E concurrently with this advice letter requesting Commission authority, on an expedited basis, to revise its ERRA to record its actual IE costs.

If and when the Commission approves Advice Letter 1919-E, or another recovery mechanism, the IECMA will be eliminated from SCE's Preliminary Statement.

Effective date should be September 30, 2005

SCE's request for the effective date of September 30, 2005 should be approved.

In its advice letter, SCE requests that this advice filing be made effective on the date filed because SCE is incurring third-party cost for its procurement related activities, but is not currently reflected in current rates or ratemaking mechanism.

As the Commission ordered SCE to utilize the services of IE's but did not specify the cost recovery mechanism, it is reasonable for SCE to request effective date of September 30, 2005.

As Section IV(B) of General Order 96A allow the effective date to be less than 40 calendar days from the filing date with Commission authorization, SCE's request should be approved.

COMMENTS

This is an uncontested matter in which the resolution grants the relief requested. Accordingly, pursuant to PU Code 311(g)(2), the otherwise applicable 30-day period for public review and comment is being waived.

FINDINGS

1. Independent Evaluator third-party costs were not included in either: (1) SCE's 2003 Test Year General Rate Case (GRC); or (2) SCE's pending 2006 Test Year GRC.
2. D. 04-12-048, Ordering Paragraph 28, authorized SCE to contract directly with IEs, in consultation with their PRGs.
3. D. 05-07-039, Ordering Paragraph 10, ordered SCE to use an independent evaluator, as described in D.04-12-048, for all bids submitted by an affiliate of SCE in the 2005 RPS solicitation.
4. Public Utilities Code Section 454.5 (b)(12) allow for recovery of reasonable administrative costs related to procurement.
5. The Commission ordered SCE to utilize the services of IE's but did not specify the cost recovery mechanism.
6. It is reasonable for SCE to request the establishment of a memorandum account to record the mandated costs.
7. It is also reasonable for SCE to request an effective date of September 30, 2005.
8. Section IV(B) of General Order 96A allows the effective date to be less than 40 calendar days from the filing date with Commission authorization.
9. No Protests were filed.

THEREFORE IT IS ORDERED THAT:

1. The request of the Southern California Edison (SCE) to establish an Independent Evaluator Costs Memorandum Account (IECMA) to record third-party costs associated with certain procurement-related activities, as requested in Advice Letter AL 1920-E is approved.
2. The effective date of the IECMA is September 30, 2005.
3. The IECMA will be eliminated from SCE's Preliminary Statement when the Commission approves transferring the balance in the IECMA to an authorized recovery mechanism.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on November 18, 2005; the following Commissioners voting favorably thereon:

STEVE LARSON
Executive Director